GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

STARRED QUESTION NO:683
ANSWERED ON:14.05.2002
DECONTROL OF UREA AND PHASING OUT OF VINTAGE ALLOWANCE
RAMSHETH THAKUR;SULTAN SALAHUDDIN OWAISI

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether the Union Government propose to decontrol the urea marketing;

(b) if so, the details thereof and the reasons therefor;

(c) the incentives given by the Government to the fertilizer industry to gear up to meet the challenge posed by dismantling of administered pricing mechanism in the energy marketing sector;

(d) the manner in which the control over urea is proposed to be phased out;

(e) whether the Union Government also propose to phase out five percent vintage allowance scheme for fertilizer units within the seventh pricing period;

(f) if so, whether the Group of Ministers constituted for the purpose of reviewing the seventh and the eighth pricing period have decided to withdraw the vintage allowance;

(g) whether the fertilizer units will have cough up at least Rs. 1900 crores excess payment made to industry via subsidy mechanism;

(h) if so, the manner in which the Government propose to recover this amount from the urea units; and
(i) if so, the details in this regard and the reasons therefor?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SHRI SUKHDEV SINGH DHINDSA)

(a)to (i): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO
(i) OF LOK SABHA STARRED QUESTION NO.683 FOR ANSWER ON 14.5.2002.

(a) & (b): There is no decision to decontrol urea marketing.

(c): After dismantling of Administered Price Mechanism from 1.4.2002 for naphtha, fuel oil and low sulphur heavy stock (LSHS), Government intervention would be minimal in determination of supply prices of these items. Fertilizer companies are now free to deal directly with domestic oil companies and negotiate the prices of these petroleum products used in the manufacture of fertilizers. Under the existing Retention Price Scheme, price of raw materials and inputs are estimated in the system of quarterly escalation and de-escalation.

(d): There is no decision on new pricing policy for urea including phasing out of control over urea.

(e) & (f): Vintage allowance was introduced w.e.f. 1.4.1988 during the V Pricing Period and has been continued during the VI Pricing Period, which was valid up to 30.6.1997. Finalization of policy parameters/norms, including vintage allowance, for VII and VIII Pricing Period would be announced after approval of the competent authority.

(g) to (i): Do not arise till finalization of policy parameters as stated above.